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ANNUAL REPORT

1967

**National
Trust**

SINCE 1898



Departments and Officers of Toronto Main Office

21 KING STREET EAST

Personal Trust Department

J. M. ROBINSON—VICE-PRESIDENT,
PERSONAL TRUST

P. C. COSGRAVE—MANAGER,
PENSION TRUST DEPARTMENT

W. H. BROUGHALL—TRUST OFFICER

R. W. CROSS—TAXATION OFFICER

W. D. HARPER—TRUST OFFICER

MISS K. M. FITZPATRICK—TRUST OFFICER

F. I. HAYES—TRUST OFFICER

W. G. HENDERSON—TRUST OFFICER

E. H. HILL—TRUST OFFICER

J. A. R. JONES—TRUST OFFICER

H. W. KELLEY—TRUST OFFICER

K. P. WALSH—ESTATE TAXES OFFICER

R. C. OLLEY—TRUST OFFICER

J. B. POGUE—TRUST OFFICER

R. W. RICHARDS—TRUST OFFICER

T. W. ROBINETTE—TRUST OFFICER

J. E. RUTHERFORD—TRUST OFFICER

A. L. SHERRING—TRUST OFFICER

C. E. ALAN SMITH—TRUST OFFICER

G. G. SMITH—TRUST OFFICER

W. R. TAUBMAN—TRUST OFFICER

Corporate Trust Department

J. L. A. COLHOUN—VICE-PRESIDENT, CORPORATE TRUST

Bond Trusteeship Division

W. W. TARVER—SUPERVISOR

E. K. EGGERTSON—TRUST OFFICER

D. C. MURRAY—TRUST OFFICER

Stock Transfer Division

M. S. RUDKIN—SUPERVISOR

A. K. BELSHAW—ACCOUNTS OFFICER

E. M. SABIN—ACCOUNTS OFFICER

MISS H. E. SIMMONS—PLANNING OFFICER

Investment Department

J. S. McKENDY—VICE-PRESIDENT, FINANCE

A. S. THOMPSON—VICE-PRESIDENT,
FINANCE—TRUST, PENSION AND AGENCY PORTFOLIOS

F. T. SMITH—VICE-PRESIDENT,
FINANCE—MORTGAGE INVESTMENTS

T. KNOTTENBELT—ASSISTANT VICE-PRESIDENT,
FINANCE—RESEARCH DIVISION

Investment Officers

F. W. ARMSTRONG

D. O. ATKINSON

R. G. DARLING

A. A. FRANCIS

L. KADAK

J. R. KINSEY

J. MERRY

J. MILLS

D. McNAB

H. P. SMITS

T. E. STAPLES

K. D. TUCK

M. K. WONG

Development Department

W. G. THOM—VICE-PRESIDENT

L. M. BALDWIN

J. A. HAND

F. J. STRUTHERS—SUPERVISOR,
TORONTO BRANCH OFFICES

Savings Department

R. H. C. LEA—MANAGER

MISS C. BEMROSE—ACCOUNTANT

Insurance Department

F. A. CAIE—INSURANCE OFFICER

Safety Deposit Vaults Department

G. A. ACHESON—VAULT CUSTODIAN

Securities Department

F. B. J. PIKE—MANAGER

W. V. R. McFADZEAN—SECURITIES OFFICER

R. E. TURNER—SECURITIES OFFICER

Real Estate and Mortgage Department

H. R. DILLON—MANAGER

G. W. SWAYZE—REAL ESTATE OFFICER

F. G. CLARE—MORTGAGE OFFICER

Comptroller's Department

D. M. McCLELLAND, C. A.—COMPTROLLER

C. H. KNIGHTS—ASSISTANT COMPTROLLER, ACCOUNTING

B. R. MATTHEWS—ASSISTANT COMPTROLLER,
ADMINISTRATIVE SERVICES

W. H. BARRON—INTERNAL AUDITOR

R. A. CLANCY—DATA PROCESSING OFFICER

R. D. DEXTER—ACCOUNTING PROCEDURES OFFICER

W. L. HODGSON—ACCOUNTING OFFICER

J. A. WATSON—METHODS OFFICER

Personnel Department

B. E. HARRISON—PERSONNEL DIRECTOR

J. F. FOLLETT—PERSONNEL OFFICER, TORONTO

MRS. D. P. McKECHAN—PERSONNEL ASSISTANT



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ANNUAL REPORT 1967

**National
Trust**
SINCE 1898

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BOARD OF DIRECTORS

MELVYN G. ANGUS

President, Lunham & Moore Limited

J. D. BARRINGTON

Chairman of the Board, McIntyre Porcupine Mines, Limited

FRED B. BROWN

Vice-President & Director, The Bank of Nova Scotia

FRASER W. BRUCE

President, Aluminum Company of Canada, Limited

ANDRÉ CHARRON, Q.C.

Executive Vice-President, J. L. Lévesque & L. G. Beaubien Ltée

ROSS T. CLARKSON, Q.C.

*Smith, Davis, Anglin, Laing, Weldon & Courtois,
Barristers & Solicitors*

THOMAS S. DUNCANSON

Chairman of the Board, Moore Corporation, Limited

J. GRANT GLASSCO, O.B.E., F.C.A.

President, Brazilian Light and Power Company Limited

E. H. HEENEY

President

C. BRUCE HILL, M.C.

Chairman of the Board, E T F Tools Limited

GRANT HORSEY

President, Wilgran Corporation Limited

J. G. HUNGERFORD, Q.C.

Chairman

W. F. JAMES

*W. F. James, B. S. W. Buffam and
M. A. Cooper, Consulting Geologists*

R. A. LAIDLAW

Honorary Chairman

A. HAZLETT LEMMON

President, The Canada Life Assurance Company

P. L. P. MACDONNELL, Q.C.

Milner & Steer, Barristers

ARGUE MARTIN, Q.C.

Martin & Martin, Barristers

*THE RIGHT HON. VINCENT MASSEY, C.C.,
P.C., C.H., D.C.L., LL.D.

JOHN L. MCCARTHY

Vice-President and Director, The Canada Life Assurance Company

ANSON C. MCKIM, O.B.E.

GRAHAM MORROW, O.B.E.

Director, The Imperial Life Assurance Company

COLIN OSBORNE

JAMES C. PARLEE

*Senior Executive Vice-President, The International Nickel
Company of Canada, Limited*

H. E. PEARSON, M.C.

Chairman of the Board, Selkirk Holdings Limited

RONALD W. PEARSON, D.S.O., M.C.

J. ALEX. PRUD'HOMME, Q.C.

*Director and Vice-President,
Aluminum Company of Canada, Limited*

RENAULT ST-LAURENT, Q.C., LL.D.

St-Laurent, Monast, Desmeules & Walters, Barristers

FRANK H. SHERMAN

President, Dominion Foundries and Steel, Limited

JOHN H. TAYLOR

President, Liquifuels Limited

EDGAR F. TOLHURST

Chairman, Tolhurst Oil Limited

STANLEY M. WEDD

*Honorary Director, International Business Machines Company
Limited*

D. G. WILLMOT

President, Anthes Imperial Limited

HARRY H. WILSON

Vice-Chairman

J. ELMER WOODS

President, The Monarch Life Assurance Company

G. D. DEŚ. WOTHERSPOON, D.S.O., E.D., Q.C.

Vice-President and Director, The T. Eaton Co. Limited

W. H. YOUNG

*President and General Manager, The Hamilton Cotton Company
Limited*

SUMMARY OF RESULTS 1967

END OF YEAR	1967	1966	INCREASE
Savings Deposits - - - - -	\$209,430,504	\$200,588,832	\$8,841,672
Guaranteed Investment Certificates - - -	108,563,374	86,482,867	22,080,507
Capital Funds - - - - -	21,657,708	20,813,182	844,526
Estates, Trusts and Agencies - - - - -	1,302,089,240	1,191,551,308	110,537,932

TOTAL FOR YEAR

Profits before taxes - - - - -	\$4,025,525	\$3,572,583	\$452,942
Taxes - - - - -	1,972,356	1,690,917	281,439
Net profits - - - - -	2,053,169	1,881,666	171,503
Dividends paid - - - - -	1,210,788	1,117,650	93,138

PER SHARE

Profits before taxes - - - - -	\$2.16	\$1.92	\$.24
Taxes - - - - -	1.06	.91	.15
Net profits - - - - -	1.10	1.01	.09
Dividends paid - - - - -	.65	.60	.05

EXECUTIVE OFFICERS
OF THE COMPANY

J. G. HUNGERFORD, Q.C., *Chairman*

HARRY H. WILSON, *Vice-Chairman*

E. H. HEENEY, *President*

Vice-Presidents

E. H. AINLAY, *Senior Vice-President, Finance*

J. L. A. COLHOUN, *Corporate Trust*

G. D. FORSYTH, *Secretary*

H. M. GALE, *Western Offices*

J. S. MCKENDY, *Finance*

J. M. ROBINSON, *Personal Trust*

A. P. SMIBERT, C.A., *Montreal Office*

F. T. SMITH, *Finance*

W. G. THOM

A. S. THOMPSON, *Finance*

R. M. YOUNG, *Hamilton Office*

Assistant Vice-Presidents

T. KNOTTENBELT, *Finance*

D. M. MCCLELLAND, C.A., *Comptroller*

B. E. HARRISON, *Personnel Director*

HIGHLIGHTS

from the Chairman's address at the Annual Meeting

J. G. Hungerford, Chairman

THE STATEMENT

I trust that you will consider the statement that is being submitted to you a satisfactory one. The past year presented us with some new and more than usually difficult problems but we have succeeded in showing an increase in profits, a satisfactory growth in savings deposits and guaranteed investment certificates, and a record increase in our Estates, Trusts and Agencies account.

Competition for savings was intense, especially in the last six months of the year. To retain our competitive position we increased the rate of interest payable to savings depositors, beginning in May. I believe the statement shows that we have been able to meet the stiffest kind of competition in this important part of our operation and still produce a satisfactory result. It will require our most energetic effort to continue to attract new depositors in the coming year whilst keeping the closest possible control on our cost of operations. It goes without saying that both of these objectives are very much part of our planning.

The substantial increase in the volume of business which we have been able to record this past year is, I think, convincing evidence of public confidence in the integrity of the Company and in the ability of its officers and staff to carry out the manifold duties entrusted to them.

LEGISLATION

1967 saw the enactment of two pieces of legislation which have materially altered the business environment in which we operate. I refer to the revision of the Bank Act and to the Deposit Insurance Acts and I am sure you will expect me to say something about them.

A year ago at this meeting I told you of our concern for the security of depositors in financial institutions across Canada and of the persistent effort which we and other trust companies had made to find a solution. I am, therefore, very pleased to report that this concern has been dispelled by the advent of deposit insurance. The depositor in any insured trust company in Canada, however small or newly established, has the same protection as a depositor with us or with any of the chartered banks. It is a fairly costly solution but we believe it is worth the price.

There are two features of this solution which are of special importance. It sets up for all Canada a single standard of "sound business and financial practices" under the supervision of federal authority. Moreover, this was accomplished without any clash between Canada and the provinces, despite the admitted jurisdiction of both. Here was a splendid example of what can be accomplished by co-operative federalism and it points the way to the solution of many of the larger problems in our country.

The revised Bank Act has had a great deal of publicity and there is no need for me to describe its provisions. I think it is fair to say that it afforded relief to the chartered banks in respect of all their claims of competitive disadvantage. They should now be able to hold their own against their most enterprising and resourceful competitors.

The Bank Act revision was largely shaped by the Report of the Porter Commission. But the Porter recommendations were not directed to the benefit of any particular group of financial institutions: they were directed to the benefit

ADVISORY BOARD

Montreal

- MELVYN G. ANGUS
President, Lunham & Moore Limited
- FRASER W. BRUCE
President, Aluminum Company of Canada, Limited
- C. F. CARSLEY, M.B.E.
President and Director, Canada Vinegars Limited
- ANDRÉ CHARRON, Q.C.
Executive Vice-President, J. L. Lévesque & L. G. Beaubien Ltée
- ROSS T. CLARKSON, Q.C.
Smith, Davis, Anglin, Laing, Weldon & Courtois, Barristers & Solicitors
- ANSON C. MCKIM, O.B.E.
- J. ALEX. PRUD'HOMME, Q.C.
Director and Vice-President, Aluminum Company of Canada, Limited
- RENAULT ST-LAURENT, Q.C., LL.D.
St-Laurent, Monast, Desmeules & Walters, Barristers
- EDGAR F. TOLHURST
Chairman, Tolhurst Oil Limited

Oshawa

- STEWART R. ALGER
Chairman of the Board of Governors, Durham College
- E. RICHARD S. McLAUGHLIN
Director of Quality Control, General Motors of Canada, Limited
- EDWARD G. STORIE
President and General Manager, Fittings Limited

St. Catharines

- EARL R. DAVEY
President, Canadian Ohio Brass Company, Limited
- GORDON GODWIN
Executive Vice-President, The Ontario Paper Company Limited
- H. E. HARRIS, Q.C.
Fleming, Harris, Barr, Hildebrand, Geiger & Daniel, Barristers
- C. BRUCE HILL, M.C.
Chairman of the Board, E T F Tools Limited
- DR. CECIL G. SHAVER
Superintendent, Niagara Peninsula Sanatorium
- D. G. WILLMOT
President, Anthes Imperial Limited

Winnipeg

- WILLIAM A. JOHNSTON, Q.C.
- E. H. MONCRIEFF
President, Standard Aero Engine Ltd.
- KENNETH A. POWELL
President, K. A. Powell (Canada) Limited
- GEORGE T. RICHARDSON
President, James Richardson & Sons Limited
- C. GORDON SMITH
Vice-President and Director, The Monarch Life Assurance Company
- J. ELMER WOODS
President, The Monarch Life Assurance Company

Edmonton

- C. W. CLEMENT, Q.C.
Clement, Parlee, Irving, Mustard & Rodney, Barristers
- F. W. FORSTER, SR.
President, Bennett and White Alberta (1963) Ltd.
- P. L. P. MACDONNELL, Q.C.
Milner & Steer, Barristers
- HUGH MCCOLL
President, South Park Motors Ltd.
- A. HOADLEY MITCHELL
Mitchell & Associates Ltd., Consulting Petroleum Engineers & Geologists
- ALAN H. NASH, C.A.
Nash & Nash, Chartered Accountants
- H. E. PEARSON, M.C.
Chairman of the Board, Selkirk Holdings Limited

Calgary

- GEORGE L. McMAHON
*Director, Pacific Petroleum Ltd.
Director, Western Pacific Products & Crude Oil Pipeline Ltd.
Director & Vice-President,
Westcoast Transmission Company Limited*
- SMILEY RABORN, JR.
*President, Canadian Delhi Oil Ltd.,
Director, Trans-Canada Pipe Lines Ltd.*

Vancouver

- FRED B. BROWN
Vice-President & Director, The Bank of Nova Scotia
- R. B. BUCKERFIELD
Director, R. L. Crain Limited
- H. H. DINGLE
Director, Johnston Terminals and Storage Limited
- R. M. HUNGERFORD
President, Clayburn-Harbrison Ltd.
- VICTOR F. MACLEAN
President, Kelly, Douglas & Company, Limited
- C. H. McLEAN
Chairman of the Board, British Columbia Telephone Company
- JOHN A. McMAHON
President, Inland Natural Gas Co. Ltd.
- RONALD W. PEARSON, D.S.O., M.C.
- FORREST ROGERS
*Chairman of the Board,
The British Columbia Sugar Refining Company, Limited*
- PETER PAUL SAUNDERS
President, Douglas Development Limited
- FRANK N. YOUNGMAN
Vice-Chairman of the Board, Crown Zellerbach Canada Limited

Victoria

- THOMAS G. DENNY
Partner, Standard Furniture Company
- G. FITZPATRICK DUNN, F.C.A.
- J. HOWARD HARMAN
*Harman and Co., Barristers & Solicitors;
Director, Beaver Lumber Company Limited*
- ERNEST HEYBROEK
- MAJ.-GEN. THE HON. GEORGE R. PEARKES,
V.C., C.C., P.C. (CANADA), C.B., D.S.O., M.C., C.D.
- W. ALLAN PENDRAY

of all Canadians through the improvement of the Canadian capital market. They aimed at a more competitive market served by more flexible institutions under laws and regulations devised—not to restrict—but to free them from all restrictions which prevent them (and I quote from the Report) “from serving the public as well as they might”.

It remains to complete this objective by dealing with other institutions of the capital market. The mortgage loan and trust companies could better serve the capital market and provide healthy competition if they were empowered to make personal loans, to raise capital by way of debentures, and to operate under less restrictive ratio limitations. Since these companies are creatures of both federal and provincial governments and since all, outside of the Province of Quebec, now operate under federal supervision, here is another obvious area for co-operative federalism.

It is notable that new trust company incorporations this year have been few and far between. In Ontario and in many other provinces financial requirements for incorporation have, I am pleased to say, been increased and legislation covering trust company operations tightened. Perhaps it has become more apparent that a successful venture into the trust field takes many years to achieve. It is a slow process and not a “fast buck” business. It requires experience and organization as well as a solid financial base on which to operate.

THE CARTER COMMISSION REPORT

The Report of the Carter Commission dealing as it does with such a sensitive area as taxation has been the subject of widespread study and discussion. Concern that the Government might recommend adoption of the Report as a “package” has, I believe, been dispelled by the statement of the Minister of Finance. In presenting his mini-budget on November 30th he pointed out that, while tax reforms to be placed before Parliament in a White Paper will

be influenced by the Carter Report, they will be more in the nature of reforms of the existing tax structure.

We are still in the dark as to what particular changes the Government will propose, but the Minister’s remarks give us reason to hope that the distinction between income and capital in our present taxation system will still be recognized. If the Carter proposals were to be adopted, the distinction between capital and income insofar as gifts and inheritances are concerned would disappear and all benefits received during lifetime or on death, except within the family unit, would become taxable as income in the hands of the recipient.

The term “family unit” has a folksy ring: it seems to connote togetherness or, if you like, family solidarity. But do not be misled: the weakening of the family’s financial strength would only be delayed; ultimately it would pass in large measure to the government which would decide—and of necessity arbitrarily—what is best for us all. Distinction between capital and income is fundamental to Canadian economic philosophy and should be preserved whether or not any other changes are made in our taxation system.

In a personal brief which I recently submitted to the Minister of Finance I pointed out that, of all the Carter proposals, the recommendation that bequests and gifts should be included as taxable income would have the most far-reaching effect on individual tax-payers. The brief went on to give examples showing the effect of the Carter proposals on family savings. Each of the examples described what might be called a frequently encountered situation; no one of them was contrived to produce a shocking result. The examples were these:

1. An estate of \$50,000 left to an unmarried son, thirty years of age. I assumed in this example that the son had been in receipt of an

COMPANY OFFICES AND MANAGERS

Toronto—Head Office

21 King Street East

Branch Offices

Northtown Shopping Centre, 5385 Yonge St., Willowdale
C. E. BAIN, *Manager*

Golden Mile Plaza, 1882 Eglinton Ave. E., Scarborough
R. B. TEMPLETON, *Manager*

11 St. Clair Avenue W., Toronto 7
R. W. MYLES, *Manager*

Cloverdale Mall, Hwy. 27 and Dundas Street W., Islington
R. C. ADAMS, *Manager*

1547 Bayview Avenue, Toronto 17
A. I. RIDDELL, *Manager*

2360 Bloor Street W., Toronto 9
J. S. HOLMES, *Manager*

938 St. Clair Avenue W., Toronto 10
H. KAARLS, *Manager*

350 Eglinton Avenue, West, Toronto 12
F. FERGUSON, *Manager*

2072 Danforth Avenue, Toronto 13
R. SCHNEIDER, *Manager*

Eastown Shopping Centre,
2646 Eglinton Ave. E., Scarborough
M. ORAM, *Manager*

3350 Yonge Street, Toronto 12
G. W. LYONS, *Manager*

2860 Lake Shore Blvd. W., New Toronto
G. N. JODRELL, *Manager*

18 Bloor Street West, Toronto 5
R. T. REEVES, *Manager*

1922 Weston Road, Weston
G. A. STEPHENSON, *Manager*

Agincourt Mall, 3850 Sheppard Avenue East, Agincourt
E. C. O'BRIEN, *Manager*

Montreal

1350 Sherbrooke Street West, Montreal 25
A. P. SMIBERT, C.A., *Manager*

Branch Offices

1011 St. Catherine Street West, Montreal 2
L. LAMARCHE, *Manager*

Rockland Shopping Centre, 2237 Rockland Road,
Town of Mount Royal, Montreal 16
J. FITZGIBBON, *Manager*

Oshawa

32 Simcoe Street South, Oshawa
D. G. MALCOLM, *Manager*

Hamilton

11 Main Street East, Hamilton
R. M. YOUNG, *Manager*

Branch Offices

Greater Hamilton Shopping Centre,
Barton Street, Hamilton
W. J. NEALE, *Manager*

Fennell Square Shopping Plaza,
Gage and Fennell Avenues, Hamilton
M. D. SHERMAN, *Manager*

527 Brant Street, Burlington, Ontario
D. W. TINLIN, *Manager*

999 King Street West, Westdale
J. H. REYNOLDS, *Manager*

St. Catharines

26 Queen Street, St. Catharines
A. E. GARDINER, *Manager*

Winnipeg

250 Portage Avenue, Winnipeg
T. B. NASH, *Manager*

Branch Office

Polo Park Shopping Centre,
111 Polo Park, 1485 Portage Avenue
A. W. S. DONALD, *Manager*

Calgary

330-8th Avenue S.W., Calgary
J. H. MCKIBBEN, *Manager*

Branch Office

Chinook Shopping Centre, 6423 Macleod Trail
W. T. DALE, *Manager*

Edmonton

10072 Jasper Avenue, Edmonton
R. G. SMITH, *Manager*

Branch Office

Westmount Shoppers' Park,
213 Shoppers' Park, Westmount
A. K. GILMOUR, *Manager*

Vancouver

510 Burrard Street, Vancouver
J. C. C. WANSBROUGH, *Manager*

Branch Offices

Park Royal Shopping Centre,
955 Park Royal, West Vancouver
R. A. STACK, *Manager*

Brentwood Shopping Centre,
528 Brentwood Shopping Centre, Burnaby 2
T. W. PROUDLOCK, *Manager*

999 Denman Street, West End Vancouver
R. J. SPINKS, *Manager*

Victoria

1280 Douglas Street
G. B. EMPEY, *Manager*

Branch Office

2190 Oak Bay Avenue
GRAHAM TURNER, *Manager*

average income of \$10,000 a year. The Carter plan would result in taxes of \$13,500 or 27% of the total estate. At present this estate would be exempt from federal and Ontario death duties.

2. An estate of \$100,000 left by a widower to his married son, aged forty. I assumed in this example that the son had a taxable income of \$15,000 a year and that there had been capital gains, unrealized by his father, of 20% of the total estate. The Carter plan would result in taxes of almost \$34,000 or three times the present total of Ontario and federal death duties.

3. An estate of \$200,000 with a life interest to the wife and a gift over on her death to a son aged forty-five. I assumed in this example that there were unrealized capital gains at the father's death of \$75,000 and additional unrealized capital gains of \$50,000 at the death of the wife. It was also assumed that the son had been in receipt of an average income of \$25,000 a year. The Carter plan would result in taxes of \$123,790 or roughly half the estate. This would be about four times the present total of Ontario and federal death duties.

I very much doubt that, if results of this kind were generally appreciated by Canadians, they would support any such revision in our taxation system.

If the Carter proposal to tax gifts and bequests as income were ever implemented, it is not difficult to foresee the discouraging effect on savings that would follow. A growing pool of savings is essential to the development of our country especially at this stage of its existence. A gradual drying up of this accumulation would be damaging to the country and to public morale. Government policy should endeavour to create a climate in which savings are encouraged so that Canadians can share in the future growth of their own country and be less dependent on capital from outside Canada.

THE ECONOMY

The Canadian economy, after a slow start, embarked on a moderate expansion in the second half of the year and we should see this continue into 1968. There are, however, problems of a serious nature in the financial area caused by the rapid rise in government expenditures and the cost-push resulting from wage settlements which have exceeded productivity gains.

I do not propose to lecture you on the growing problem of inflation. Recent speeches by the Governor of the Bank of Canada and by the Minister of Finance have highlighted the dangers that face an inflation-ridden economy and we have all had an opportunity to observe the events in Britain leading up to the devaluation of sterling, an occurrence that brings the remarks of the Governor and the Minister into even sharper focus.

We in the trust company see at close range the cruel effects of inflation on those who have the least ability to combat it—the pensioners and others who are on fixed incomes.

Governments must give leadership in the battle to control inflation. Governments themselves must set the example by controlling their expenditures. To proceed at this time with any expenditures which are not related to our financial resources will only give further impetus to the inflationary movement.

MONEY MARKETS

The unsettled state of our money markets persisted throughout 1967. Fears of a quickening in the inflationary trend and concern that interest rates would continue to rise made investors very reluctant to extend term and brought about a decided preference for liquidity. In this environment we are still of the opinion that, in investing our capital and guaranteed funds, we should continue to maintain a highly liquid position so that we can adapt profitably to changing market conditions.

BALANCE SHEET

<i>Assets</i>	1967	1966
Securities:		
Canadian and Provincial Government Bonds - - - - -	\$ 83,251,673	\$ 73,821,653
Municipal Bonds - - - - -	6,316,291	7,085,146
Other Bonds and Debentures:		
Maturing within one year - - - - -	57,392,882	51,365,675
Other maturities - - - - -	20,228,831	19,772,901
Stocks - - - - -	8,068,767	7,526,464
	<u>\$ 175,258,444</u>	<u>\$ 159,571,839</u>
Cash on deposit and on hand - - - - -	5,706,758	5,067,172
Loans secured by Bonds and Stocks - - - - -	293,259	84,529
Advances to Estates, Trusts and Agencies - - - - -	243,269	308,751
Mortgages, less reserve - - - - -	190,073,041	183,126,537
Office Premises and Equipment, less reserve - - - - -	2,898,678	3,088,397
	<u>\$ 374,473,449</u>	<u>\$ 351,247,225</u>
ESTATES, TRUSTS AND AGENCIES		
Securities, Cash and other Assets - - - - -	<u>\$1,302,089,240</u>	<u>\$1,191,551,308</u>

Auditors' Report to the Shareholders

We have examined the balance sheet of National Trust Company, Limited as at October 31, 1967 and the statements of Income, Expenses and Undivided Profits and Reserve Fund for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. All our requirements as auditors have been complied with.

The assets held for Guaranteed Account and for Estates, Trusts and Agencies are kept separate from the Company's own assets and are so earmarked on the books of the Company as to show the accounts to which they belong.

In our opinion, these financial statements present fairly the financial position of the Company as at October 31, 1967 and the results of its operations for the year ended on that date.

Toronto, November 20, 1967.

CLARKSON, GORDON & Co., Chartered Accountants.

Liabilities and Capital

	1967	1966
Liabilities:		
Guaranteed Account:		
Savings Deposits - - - - -	\$ 209,430,504	\$ 200,588,832
Term Deposits - - - - -	33,862,812	42,397,510
Guaranteed Investment Certificates - - - - -	108,563,374	86,482,867
	<u>\$ 351,856,690</u>	<u>\$ 329,469,209</u>
Government of Canada and Provincial Income Taxes - -	959,051	964,834
	<u>\$ 352,815,741</u>	<u>\$ 330,434,043</u>
Capital:		
Capital Stock:		
Authorized 2,500,000 shares of \$2 par value		
Issued and fully paid 1,862,881 shares - - - - - (1966—1,862,751 shares)	\$ 3,725,762	\$ 3,725,502
Reserve Fund - - - - -	17,001,885	16,250,000
Undivided Profits - - - - -	930,061	837,680
<i>Note: In 1967 options, expiring September 6, 1977, were granted to 65 employees to purchase 15,100 shares of the unissued capital stock of the Company at the then market price of \$16.50 per share. During the year options were exercised in respect of 130 shares for a total consideration of \$2,145.</i>		
	<u>\$ 21,657,708</u>	<u>\$ 20,813,182</u>
	<u>\$ 374,473,449</u>	<u>\$ 351,247,225</u>
ESTATES, TRUSTS AND AGENCIES		
Estates, Trusts and Agencies under Administration - - - -	<u>\$1,302,089,240</u>	<u>\$1,191,551,308</u>

Attested:

J. G. HUNGERFORD, Chairman.

E. H. HEENEY, President.

STATEMENT OF INCOME, EXPENSES AND UNDIVIDED PROFITS

For the Year Ended October 31, 1967

	1967	1966
Income		
Fees and Commissions - - - - -	\$ 8,213,123	\$ 7,676,439
Income from investments - - - - -	22,848,075	21,317,252
Total - - - - -	<u>\$31,061,198</u>	<u>\$28,993,691</u>
Expenses		
Interest paid on savings and term deposits and on guaranteed investment certificates - - - - -	\$14,551,860	\$13,152,012
Salaries and staff benefits - - - - -	6,358,640	5,983,307
Operating expenses and provision for investment reserves including related income taxes - - - - -	6,125,173	6,285,789
Total - - - - -	<u>\$27,035,673</u>	<u>\$25,421,108</u>
Profit before income taxes - - - - -	\$ 4,025,525	\$ 3,572,583
Provision for income taxes - - - - -	\$ 1,972,356	\$ 1,690,917
Net Profit - - - - -	<u>\$ 2,053,169</u>	<u>\$ 1,881,666</u>
Undivided Profits brought forward from the previous year - -	\$ 837,680	\$ 823,664
	<u>\$ 2,890,849</u>	<u>\$ 2,705,330</u>
Deduct:		
Dividends aggregating 65 cents a share - - - - - (60 cents a share in 1966)	\$ 1,210,788	\$ 1,117,650
Transfer to Reserve Fund - - - - -	750,000	750,000
	<u>\$ 1,960,788</u>	<u>\$ 1,867,650</u>
Undivided Profits carried forward - - - - -	<u><u>\$ 930,061</u></u>	<u><u>\$ 837,680</u></u>

STATEMENT OF RESERVE FUND

For the Year Ended October 31, 1967

	1967	1966
Balance brought forward from the previous year - - - - -	\$16,250,000	\$15,500,000
Add:		
Proceeds in excess of par value of Capital Stock issued during the year - - - - -	1,885	—
Transfer from Undivided Profits - - - - -	750,000	750,000
Balance carried forward - - - - -	<u><u>\$17,001,885</u></u>	<u><u>\$16,250,000</u></u>

HIGHLIGHTS

from the President's address at the Annual Meeting

E. H. Heeney, President

The Statement of Profit and Loss shows that 1967 was the sixteenth consecutive year in which the Company recorded an increase in profit. In the fiscal year ended October 31st last, net profits after all charges and provisions for reserves reached a total of \$2,053,169 as against only \$422,531 sixteen years ago. As compared with last year a substantial increase was also shown. Per share earnings in 1967 amounted to \$1.10 as against \$1.01 in 1966. These increased earnings enabled your Directors to declare an extra dividend of six cents per share, payable January 2nd, 1968 and also to increase the regular dividend by one cent per quarter at the same date.

Fees and Commissions earned during the year amounted to \$8,213,123 as against \$7,676,439 in 1966. This figure represents our earnings from all of our fiduciary business. Included in it are fees for acting as executor, trustee and agent, and as investment advisor for individuals; as stock transfer agent, trustee for bond issues, and as pension fund trustee for corporations; as sales and management agent for real estate, and as agent for the placing and collection of mortgages. Each of these areas contributed substantially to the successful results of the year.

Our Estates, Trusts and Agencies account increased by a net amount of more than \$110,000,000 and at the year-end stood at \$1,302,000,000. Estates, Trusts and Agencies business is of the greatest importance to us and we have taken pains over the years to provide outstanding service to our clients. At each of our main offices we have teams of officers who are thoroughly competent to handle all phases of this exacting work.

The Stock Transfer and Bond Trusteeship Divisions both had a busy year, and our

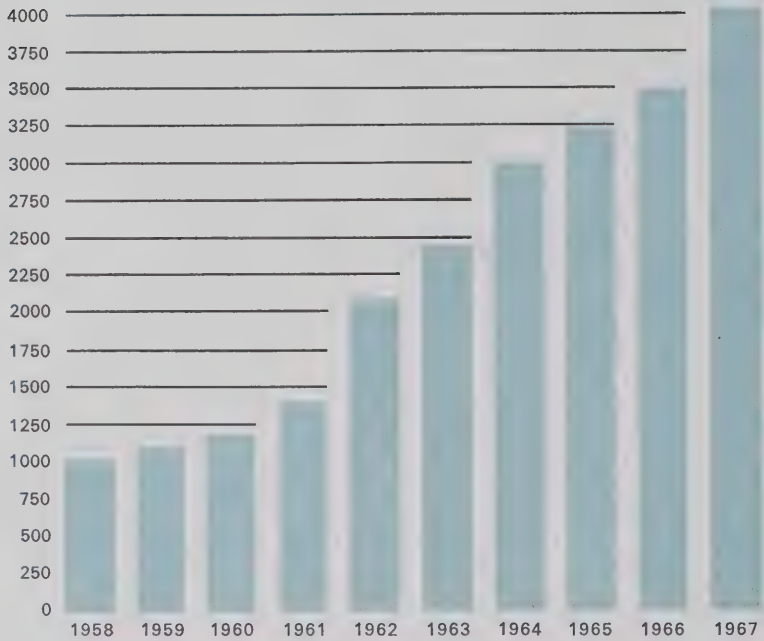
Pension Trust business increases steadily. These sections of our Company are well led and are of rapidly expanding importance in our over-all operation.

The past year was a year of disturbed money markets. These conditions were reflected directly in our business. As at May 1st we raised our interest rate on Savings accounts which are chequable from 4% to 4½%. This is the highest rate we have ever paid on such accounts. It became apparent during the summer that there was some demand by the public for an additional account carrying a high rate of interest with more frequent compounding but without chequing privileges. Accordingly, we established such an account at the end of October and I am pleased to be able to say that the reaction has been favourable.

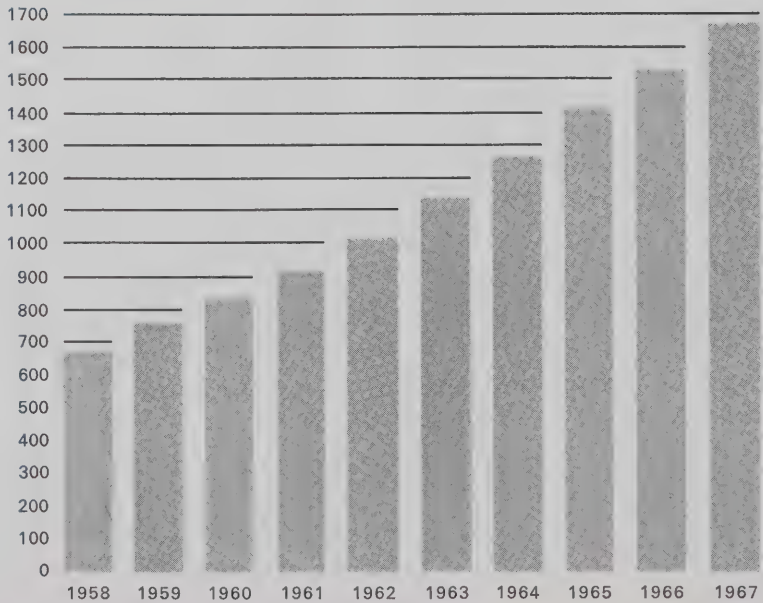
The rise in the general level of interest rates led us to make four increases in the rates paid on our Guaranteed Investment Certificates during the year. We are now offering them for terms of one to five years at rates from 6¼% to 6¾% per annum. The rate of 6¾% for five years is a new high level for us.

Competition for the savings dollar has been keen. Despite this, however, our Guaranteed Account made substantial progress. Savings Deposits were up by \$8,800,000 to reach a new high, while Guaranteed Investment Certificates outstanding increased from \$86,500,000 to \$108,500,000, an increase of \$22,000,000 or more than 25%. Savings Deposits and Guaranteed Investment Certificates combined expanded from \$287,000,000 at the end of our 1966 fiscal year to almost \$318,000,000 at the end of October 1967. Term Deposits as at these two dates showed a decline, but this type of deposit is normally subject to wide fluctuation. At the end of November, for instance,

PROFITS BEFORE TAXES in thousands of dollars



TOTAL ASSETS in millions of dollars



our Term Deposits stood at \$41,500,000 as compared with the \$33,900,000 shown on the Balance Sheet.

Under the Canada Deposit Insurance Corporation Act this year our premium was \$88,500. This is a substantial contribution for our shareholders to make toward obtaining safety for depositors in other corporations. We can expect, however, that the establishment of high standards of practice under this legislation and their enforcement upon all deposit-taking institutions by rigorous administration of the Act will eliminate risk of loss. This should in turn result in lower premiums.

Our Canada and Provincial bonds shown on the Balance Sheet are carried at amortized cost. All other securities and stocks are carried at cost less reserves. The current market value of our municipal bonds, other bonds and debentures and stocks is substantially higher than the figure shown on the Balance Sheet. Similarly, our mortgages, shown at \$190,000,000, are carried at the aggregate outstanding, less reserves. These are all well secured on prudently valued properties.

The conservative values placed on our assets create a strong position in relation to our liabilities to the public.

After making adequate provision for reserves during the year and paying a dividend of 65¢ a share as compared with 60¢ in 1966, your Directors were able to transfer \$750,000 from Undivided Profit to Reserve Fund. Profits during the year enabled us to pay these dividends, make this transfer and leave the Undivided Profit account at the end of October at \$930,061 or over \$92,000 higher than at the end of the previous year.

During the year the Directors approved a further stock option plan for employees. A total of 50,000 shares of Treasury stock has been set aside for allocation as an incentive to officers and members of the staff. So far 15,100 shares have been allotted. The option price was 16½¢, the closing bid price on The

Toronto Stock Exchange the day before the granting of the option.

Our staff, our most valuable asset, has in numbers remained relatively unchanged in the past year. At the end of October, we employed 1,072 persons as compared with 1,067 a year ago. This is partially a result of our decision not to open new offices last year, but also flows from a continuing and determined effort to increase productivity. Our Comptroller and his Systems and Methods Department, with the great assistance of our senior supervisors and department heads, has made substantial progress in a work measurement programme and the results are beginning to show.

We are making particular efforts to bring to the attention of potential clients our considerable success in the management of our open-end investment fund, Natrusco Common Share Fund Limited, and in the field of investment management in general. During the year duties were re-allocated amongst our senior investment officers in order to bring the best possible effort to bear in areas where each is most qualified. We believe that this has further strengthened our ability to give first-class investment advice to our clients. I commend Natrusco and our investment management service to all our friends.

During the past two years it has become apparent that further extensive steps must be taken in the field of data processing. We have been looking for a method of computerizing our Stock Transfer operation that would overcome serious problems that others have encountered. We are now satisfied that, by the use of new equipment presently on order, we will have the most up-to-date Transfer Department in the business and that we will be able to render services to our corporate clients unequalled in Canada. Much training and development work must yet be done but we expect that the Stock Transfer Department, as well as other departments that already use data processing, will be converted to the new equipment and new systems during 1969.

COMPARATIVE SUMMARY: LAST TEN YEARS

	1967	1966	1965	1964
END OF YEAR				
Savings Deposits - - - - -	\$209,430,504	200,588,832	196,843,317	171,078,530
Guaranteed Investment Certificates	108,563,374	86,482,867	42,416,939	29,710,521
Capital Funds - - - - -	21,657,708	20,813,182	20,049,166	16,947,079
Estates, Trusts and Agencies - - -	1,302,089,240	1,191,551,308	1,113,917,016	1,016,935,850
TOTAL FOR YEAR				
Profits before taxes - - - - -	\$ 4,025,525	3,572,583	3,250,155	3,013,930
Taxes - - - - -	1,972,356	1,690,917	1,567,672	1,577,750
Net profits - - - - -	2,053,169	1,881,666	1,682,483	1,436,180
Dividends paid - - - - -	1,210,788	1,117,650	1,080,396	959,910
PER SHARE				
Profits before taxes - - - - -	\$2.16	1.92	1.74	1.60
Taxes - - - - -	1.06	.91	.84	.80
Net profits - - - - -	1.10	1.01	.90	.79
Dividends paid - - - - -	.65	.60	.58	.50

1963	1962	1961	1960	1959	1958
		(10 months)			
142,268,756	108,911,206	84,660,112	72,427,662	66,560,687	68,964,746
26,931,471	19,786,701	16,465,316	14,684,780	8,243,124	5,114,442
14,003,601	11,476,018	10,532,149	7,194,443	7,095,428	7,033,313
945,916,031	846,688,142	772,406,866	717,457,004	664,092,078	593,694,806
2,493,750	2,112,648	1,438,531	1,181,407	1,104,226	1,031,398
1,264,754	1,108,886	715,249	539,000	502,111	456,184
1,228,996	1,003,762	723,282	642,407	602,115	575,214
802,669	666,663	483,866	570,762	540,000	510,000
1.48	1.39	.95	.79	.74	.68
.75	.73	.47	.36	.34	.30
.73	.66	.48	.43	.40	.38
.50	.44	.32	.38	.36	.34

INVESTMENT MANAGEMENT AND PERFORMANCE

Investment management is one of the most important functions National Trust performs for its clients.

To keep pace with the broadening investment interests and needs of its clients, National Trust Company continues to expand its portfolio management and research facilities.

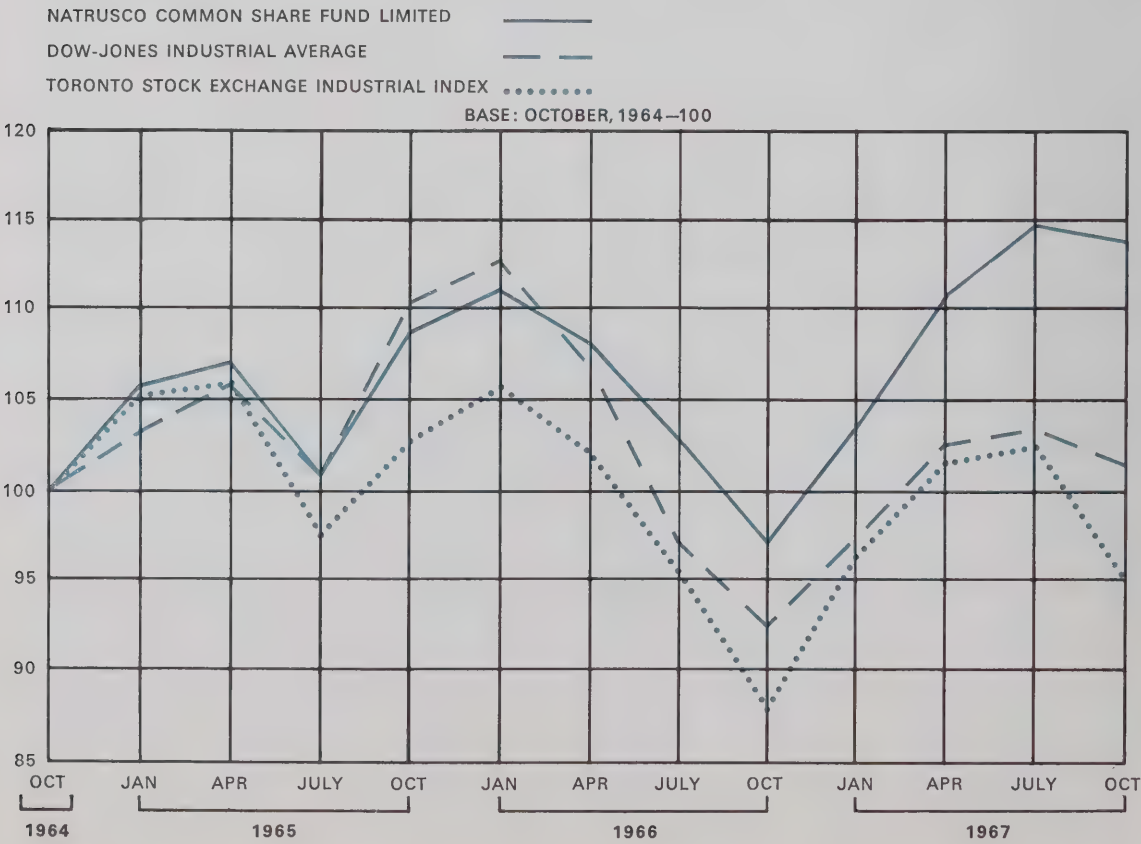
The measure of successful investment management is performance, and this becomes very evident in the management of common stock portfolios.

The record of performance of two widely used 'pooled' investment funds of National Trust are shown below and on the opposite page.

Natrusco Common Share Fund Limited

The Natrusco Common Share Fund Limited was established in 1964 to provide investors with the benefit of investment diversification and professional management at a low cost. It is a mutual type investment fund, which is mainly invested in Canadian and U.S. common stocks selected primarily for potential long-term capital growth.

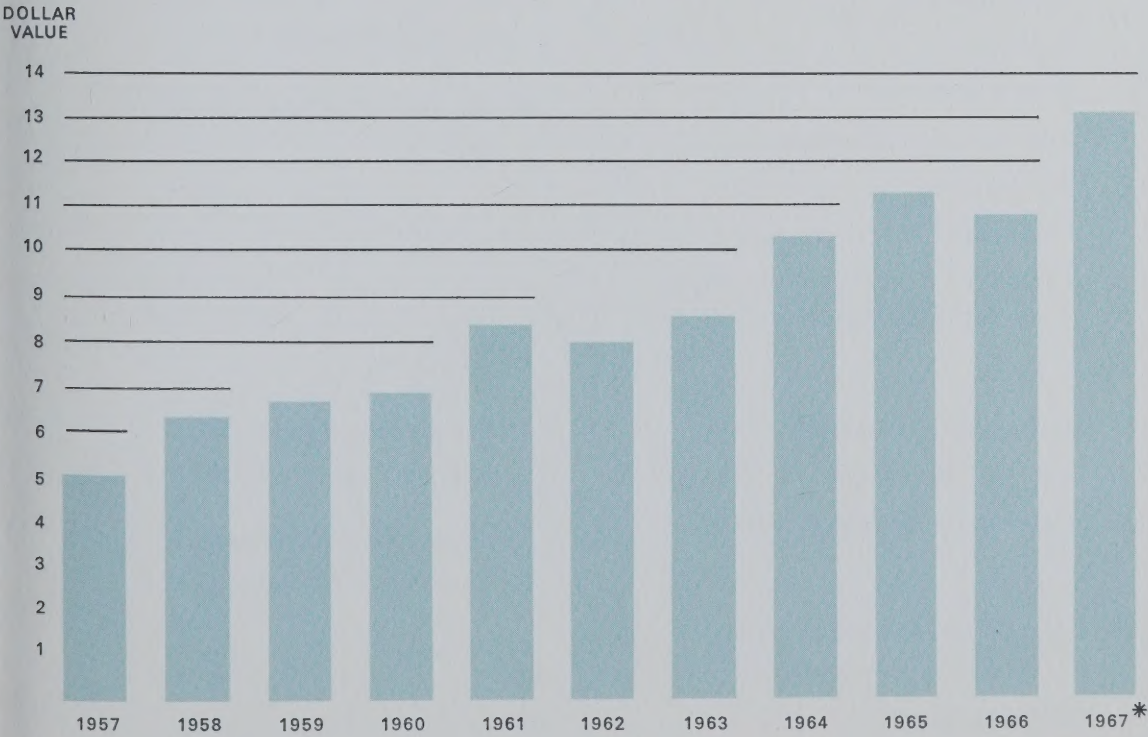
This Chart shows the comparative performance of Natrusco Common Share Fund Limited and two recognized stock indices, the Toronto Stock Exchange Industrial Index, and the Dow-Jones Industrial Average. The chart reflects only capital appreciation since the Fund's income is paid out to its shareholders.



Equity Fund for Retirement Savings Plans

Income Tax Act amendments in 1957 permitted both self-employed and employed persons to establish registered retirement savings plans, and to obtain tax deductions from income for their plan contributions. National Trust Plan participants are given a choice of investment alternatives, one of which is our Equity Fund in which participants' contributions are pooled for investment purposes. The Fund is invested in common stocks of a diversified group of leading Canadian and U.S. corporations.

This Chart shows the growth in value of a unit share of the Equity Fund since its inception in 1957, based on year-end values. Dividend income earned on the Fund's investments is re-invested within the Fund, and reflected in the unit value. The Chart reflects the 2 for 1 split in unit value which occurred in September, 1964.



*To October 31, 1967

For Individuals

Regular Savings Accounts
Special Deposit Accounts
Guaranteed Investment Certificates
Natrusco Common Share Fund
Retirement Savings Plans
Canada Savings Bonds
Travellers Cheques
Safety Deposit Boxes

Estate Planning
Executor
Trustee under Will
Trustee under Agreement
Administrator
Guardian of Infants' Property
Committee of Property for Incompetent
and Incapable Persons

Investment Management
Agent by Agreement
Custodian of all types of Assets

Real Estate Sales and Purchases,
Valuation and Management
Mortgage Loans

For Corporations

Trustee for Bond and Debenture Issues

Receiver and Manager of Corporate
Property

Trustee under Voting Trust, Depository,
Escrow, Share Purchase and like
Agreements

Transfer Agent and Registrar for
Shares of Companies

Secretarial and Scrutineer Services for
Corporate Proceedings

Interest and Dividend Disbursing
Agent

Term Deposits

Trustee for Pension, Profit Sharing
and other Employee Benefit Plans

Real Estate Sales and Purchases,
Valuation and Management

Mortgage Loans

Safety Deposit Boxes

